

# **SAGINAW AREA GIS AUTHORITY**

Saginaw County, Michigan

## **FINANCIAL STATEMENTS**

September 30, 2008

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## ***INDEPENDENT AUDITORS' REPORT***

To the Executive Committee and Board of Trustees  
Saginaw Area GIS Authority  
Saginaw County, Michigan

We have audited the accompanying financial statements of the business-type activities as of and for the year ended September 30, 2008, which comprises the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Saginaw Area GIS Authority management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Saginaw Area GIS Authority, as of September 30, 2008, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, as identified in the table of contents, is not a required part of the basic financial statements but is supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

*Berthiaume & Co.*

November 19, 2008

## ***MANAGEMENT'S DISCUSSION AND ANALYSIS***

# **SAGINAW AREA GIS AUTHORITY**

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

Our discussion and analysis of the Saginaw Area GIS Authority's financial performance provides an overview of the Authority's financial activities for the fiscal year ended September 30, 2008. Please read it in conjunction with the Authority's financial statements.

### **Saginaw Area GIS Authority as a Whole**

The following table shows, in condensed format, the net assets as of the current date, for the year ended September 30, 2008 and 2007.

#### **Statement of Net Assets**

	<b>2008</b>	<b>2007</b>
<b><i>Assets:</i></b>		
Current assets	\$ 134,575	\$ 63,154
Noncurrent assets	45,105	61,530
Total assets	179,680	124,684
<b><i>Current liabilities</i></b>	47,986	523
<b><i>Net Assets:</i></b>		
Invested in capital assets	45,105	61,530
Unrestricted	86,589	62,631
Total net assets	\$ 131,694	\$ 124,161

#### **Statement of Activities**

<b><i>Revenues:</i></b>		
Operating revenues	\$ 295,401	\$ 259,014
Non-operating revenue	6,338	7,100
Total revenues	301,739	266,114
<b><i>Expenses:</i></b>		
Operating expenses	294,206	272,968
Increase (decrease) in net assets	7,533	(6,854)
Net assets, beginning of year	124,161	131,015
Total net assets	\$ 131,694	\$ 124,161

#### **Financial Highlights for 2007-2008 year**

The Authority's combined net assets increased by approximately \$7,500 for the year. Some of the significant items for the year are as follows:

The membership charges to various governmental units were increased from \$1.10 per parcel to \$1.20 per parcel resulting in an approximate increase of \$16,000 in public-sector member charges for the year. There were no new members during the year.

The Authority acquired a new 42' wide format printer at no cost. The \$8,700 printer was paid for by Saginaw County.

# **SAGINAW AREA GIS AUTHORITY**

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED**

### **Financial Highlights**

The primary reason for the membership rate increase from \$1.10 to \$1.20 per parcel is to begin saving for the planned purchase of new aerial photography in 2009 or 2010.

Revenues from the private sector were about \$2,000 more than the prior year.

Expenses, other than in-kind items, were about \$10,000 more than the prior year.

Interest income is about \$760 less than the prior year.

### **Capital Assets and Debt Administration**

The Authority's investment in capital assets for its business-type activities as of September 30, 2008, amounted to \$45,105 (net of accumulated depreciation). This investment in capital assets includes equipment and GIS data. During the year there was approximately \$8,700 in additions to capital assets.

The Authority has no long-term debt.

### **Economic Factors**

The Saginaw Area GIS Authority's budget for next year calls for minor changes. No significant economic factors have been identified.

### **Contacting the Authority's Management**

This financial report is intended to provide our citizens and customers with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Authority's office at 111 S. Michigan Ave., P.O. Box 1867, Saginaw, MI 48602.

## ***BASIC FINANCIAL STATEMENTS***

# SAGINAW AREA GIS AUTHORITY

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## STATEMENT OF NET ASSETS

September 30, 2008

### ASSETS:

#### Current Assets:

Cash and cash equivalents	\$ 131,793
Trade receivables	2,782
Total current assets	<u>134,575</u>

#### Capital Assets (note 3)

	<u>45,105</u>
Total assets	<u>\$ 179,680</u>

### LIABILITIES AND NET ASSETS:

#### Current Liabilities:

Accounts payable	\$ 47,986
Total current liabilities	<u>47,986</u>

#### Net Assets:

Investment in capital assets	45,105
Unrestricted	<u>86,589</u>
Total net assets	<u>131,694</u>
Total liabilities and net assets	<u>\$ 179,680</u>

*The accompanying notes are an integral part of these financial statements.*



# **SAGINAW AREA GIS AUTHORITY**

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## **STATEMENT OF ACTIVITIES**

Year Ended September 30, 2008

### **OPERATING REVENUES:**

Public sector/members – charges for services	\$ 212,067
Private sector – charges for services	13,557
Contribution of equipment from Saginaw County	8,737
In-kind from City of Saginaw	61,000
Miscellaneous	40
Total operating revenues	<u>295,401</u>

### **OPERATING EXPENSES:**

Accounting and audit fees	6,985
Insurance	2,540
Contracted services – County of Saginaw	156,314
Contracted services – City of Saginaw	34,729
Contracted services – Coordinator	5,513
Software expense	870
Education, training and other	1,093
Depreciation expense	25,162
In-kind services and system support from City of Saginaw	61,000
Total operating expenses	<u>294,206</u>
Operating income (loss)	1,195

### **NON-OPERATING REVENUES:**

Interest income	<u>6,338</u>
Net income (loss)	7,533
Net assets, October 1, 2007	<u>124,161</u>
Net assets, September 30, 2008	<u>\$ 131,694</u>

*The accompanying notes are an integral part of these financial statements.*

# SAGINAW AREA GIS AUTHORITY

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## STATEMENT OF CASH FLOWS

Year Ended September 30, 2008

### Cash flows from operating activities:

Cash received from customers	\$ 225,794
Cash payments for goods and services	(160,541)

Net cash provided (used) by operating activities	65,253
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### Cash flows from capital and related financing activities:

Purchase of capital assets	-
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Net cash provided (used) by capital and related financing activities	-
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### Cash flows from investment activities:

Interest income	6,338
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Net cash provided by investing activities	6,338
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Net increase in cash and cash equivalents	71,591
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Cash and cash equivalents, beginning of year	60,202
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Cash and cash equivalents, end of year	\$ 131,793
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### RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:

Operating income (loss)	\$ 1,195
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Adjustments to reconcile operating income (loss) to net cash provided by operating activities:

Depreciation	25,162
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Contribution of equipment from Saginaw County	(8,737)
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(Increase) decrease in assets:

Accounts receivable	170
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Increase (decrease) in liabilities:

Accounts payable	47,463
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Net cash provided by operating activities	\$ 65,253
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*The accompanying notes are an integral part of these financial statements.*

# **SAGINAW AREA GIS AUTHORITY**

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## **NOTES TO FINANCIAL STATEMENTS**

September 30, 2008

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### **NOTE 1: SIGNIFICANT ACCOUNTING POLICIES**

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#### **Description of Reporting Entity and Organization**

The Saginaw Area GIS Authority was established on September 20, 2004 by an Interlocal Agreement between twenty-two local governmental units in Saginaw County. The Authority operates a geographic information system as a separate governmental unit pursuant to MCLA 124.507.

Each participating unit of government appoints a representative to the Authority. These representatives constitute the Authority Board of Trustees in accordance with the By-Laws of the Authority.

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the Authority. There are no component units. The Authority is not a component of any other reporting entity.

The accounting policies of the Saginaw Area GIS Authority conform to generally accepted accounting principles as applicable to governmental units.

#### **Basis of Accounting**

The accounts of the Authority are organized on the basis of a proprietary fund type, specifically an Enterprise Fund. The activities of this fund are accounted for with a separate set of self-balancing accounts that comprise the Authority's assets, liabilities, net assets, revenues, and expenses.

#### **Measurement Focus – Government-wide Financial Statements**

The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the primary government. These types of statements usually distinguish between activities that are governmental and those that are business-type activities. The Authority currently has only one business-type fund/activity.

The statement of net assets presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The Authority's net assets are reported in two parts (1) invested in capital assets, net of related debt, and (2) unrestricted net assets. The Authority first utilizes restricted resources to finance qualifying activities. The Authority currently has no long-term debt and obligations.

The government-wide focus is on the sustainability of the Authority as an entity and the change in the Authority's net assets resulting from current year activities.

Program fees, grants, and other revenue, if any, associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period.

# **SAGINAW AREA GIS AUTHORITY**

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## **NOTES TO FINANCIAL STATEMENTS**

September 30, 2008

### **NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

#### **Cash and Cash Equivalents**

The Authority considers its deposits and, if any, restricted deposits, and investments held with maturities of three months or less as cash equivalents.

#### **Investments**

Investments, if any, are stated at fair value. The Authority currently has no investments.

#### **Receivables**

All receivables are recorded at their gross value and, where, appropriate, are reduced by the estimated portion that is expected to be uncollectible. Uncollectible balances, if any, are immaterial at year end.

#### **Prepaid Expenses**

Certain payments to vendors reflect costs applicable to future fiscal years and may be recorded as prepaid items in the financial statements.

#### **Capital Assets**

Capital assets are stated at cost or fair market value if donated. Depreciation is computed using the straight-line method based on the estimated useful lives of five (5) years.

#### **Long-Term Obligations**

In the Statement of Net Assets, long-term debt and other long-term obligations, if any, are reported as liabilities. Currently the Authority has no long-term obligations.

#### **Revenues/Expenses**

Operating revenues and expenses generally result from providing services. All other revenues and expenses are reported as nonoperating.

#### **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent asset and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

# SAGINAW AREA GIS AUTHORITY

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## NOTES TO FINANCIAL STATEMENTS

September 30, 2008

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### NOTE 2: CASH, CASH EQUIVALENTS, AND INVESTMENTS

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Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Authority's deposits are in accordance with statutory authority. The Authority does not have any investments.

#### Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it.

The Authority's cash is included on the Statement of Net Assets in the amount of \$131,793. It is comprised of bank deposits that are reflected in the accounts of the bank (without recognition of checks written but not yet cleared, or of deposits in transit) at \$131,793, all of which was covered by federal depository insurance.

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### NOTE 3: CAPITAL ASSETS

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Capital assets activity for the year ended September 30, 2008 was as follows:

	Balance October 1, 2007	Additions	Deletions	Balance September 30, 2008	Depreciable Life
Capital assets being depreciated:					
Computer equipment	\$ 15,104	\$ 8,737	\$ -	\$ 23,841	5 years
Orthophotography data	109,980	-	-	109,980	5 years
Total	125,084	8,737	-	133,821	
Less accumulated depreciation	(63,554)	(25,162)	-	(88,716)	
Net total capital assets	\$ 61,530	\$ (16,425)	\$ -	\$ 45,105	

# **SAGINAW AREA GIS AUTHORITY**

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## **NOTES TO FINANCIAL STATEMENTS**

September 30, 2008

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### **NOTE 4: RISK MANAGEMENT**

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The Authority is exposed to various risks of loss related to property loss, torts, errors and omissions. The Authority has purchased commercial insurance for property loss, torts, errors and omissions. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage.



## **REQUIRED COMMUNICATION TO THE SAGINAW AREA GIS AUTHORITY IN ACCORDANCE WITH PROFESSIONAL STANDARDS**

To the Executive Committee  
Saginaw Area GIS Authority

We have audited the financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of the Saginaw Area GIS Authority for the year ended September 30, 2008, and have issued our report thereon dated November 19, 2008. Professional standards require that we provide you with the following information related to our audit.

### **Our Responsibility Under U.S. Generally Accepted Auditing Standards**

As stated in our engagement letter dated May 29, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

### **Planned Scope and Timing of the Audit**

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter.

### **Significant Accounting Policies**

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Saginaw Area GIS Authority are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

### **Accounting Estimates**

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no sensitive estimates affecting the financial statements.

**Disclosures**

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures may be particularly sensitive because of their significance to financial statement users.

**Difficulties Encountered in Performing the Audit**

We encountered no difficulties in performing and completing our audit.

**Corrected and Uncorrected Misstatements**

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements, if any.

**Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

**Management Representations**

We have requested certain representations from management that are included in the management representation letter dated November 19, 2008.

**Management Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

**Issues Discussed Prior to Retention of Independent Auditors**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

**Internal Control Matters**

In planning and performing our audit of the financial statements of the Saginaw Area GIS Authority as of and for the year ended September 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Saginaw Area GIS Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that misstatement of the Organization's financial statements that is more than inconsequential will not be prevented or detected by the Organization's internal control.



A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Organization's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses as defined above.

Deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above, follow:

Recording, Processing and Summarizing Accounting Data

Criteria: All governments are required to have in place internal controls over recording, processing, summarizing accounting data and preparing financial statements. SAS No. 112 requires us to communicate with you about this.

Conditions: As is the case with many smaller and medium-sized entities, the Authority has historically relied on its independent external auditors to assist in the recording, processing, summarizing accounting data and preparing financial statements as part of its external financial reporting process. Accordingly, the Authority has placed reliance on its external auditors, who cannot by definition be considered a part of the Authority's internal controls.

Cause: This condition was caused by the Authority's decision that it is more cost effective to have external auditors recommend the necessary adjusting journal entries to its general ledger and prepare the financial statements than to incur the time and expense for the Authority to perform these tasks internally.

Effect: As a result of this condition, the Authority lacks internal controls over the recording, processing, summarizing accounting data and preparing financial statements, and instead relied, in part, on its external auditors for assistance with this task.

View of Responsible Officials: The Authority has evaluated the cost versus benefit of establishing internal controls over the recording, processing, summarizing accounting data and preparing financial statements, and determined that it is in the best interests of the Authority to rely on its external auditors to recommend the necessary adjustments and preparation of the financial statements.

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This communication is intended solely for the information and use of management, Executive Committee, and others within the Organization, and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

*Berthiaume & Co.*

Berthiaume & Company  
Certified Public Accountants  
Saginaw, Michigan

November 19, 2008